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5 FedEx Ground_A Letter of Assurance
6 ----- /
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8 Length - 13:38
9 Transcribed by Andrea Filar, CSR-8349
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MALE VOICEOVER: As civilian areas are pummelled every day now by Russian missiles.

FEMALE VOICEOVER 1: Tonight, record-breaking prices at the pump nationwide.

FEMALE VOICEOVER 2: If the world runs low on food, who gets to eat, and who doesn't?

MALE VOICEOVER 2: 0.53 million workers quit their jobs in November.

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MR. PATTON: My name is Spencer Patton. I'm one of the largest FedEx Ground contractors in the United States and I'm based in Nashville, Tennessee.

The purpose of this video is to accompany a corresponding document that states our requests of FedEx Ground to adjust compensation across the board given the unprecedented market circumstances that are impacting us. Contractors have issued two letters of concern to FedEx Ground so far in 2022, and while FedEx

1 Ground has invited discussion, invited communication, and
2 even invited efforts to renegotiate our contract, all of
3 those have come to no financial difference at all. All
4 of my renegotiation requests supported with strong facts
5 and data have been outright denied. Many contractors
6 share my exact same story.

7 Before getting to those pieces, let me
8 establish a baseline for why this video is necessary.
9 Contractors in general are suffering to a degree that is
10 largely unseen by the general public, and to some degree
11 FedEx Ground themselves. Our fuel costs have doubled in
12 less than a year. Our wage costs have soared
13 dramatically as documented in our paperwork, as well as
14 widely published in the media. And our truck costs and
15 the lack of availability in trucks have dramatically
16 spiked our cost in this important cost segment for us.
17 All of these elements mandate that we receive financial
18 compensation from FedEx Ground to adjust contracts that
19 were just not engineered for the world in which we are
20 living.

21 FedEx Ground actually has precedent for
22 doing this back in 2020. When COVID happened, FedEx
23 Ground released an across-the-network compensation
24 increase that lasted for approximately six months. That
25 increase was vital to our ability to be able to serve as

essential workers and keep this economy running.

Here in 2022, the conditions are magnitudes worse than what justified that intervention from FedEx Ground in the middle of 2020. The contractor network, specifically the FedEx Ground network, is in far more peril than what anyone realizes. If Wall Street analysts, if FedEx corporate, and FedEx Ground understood the degree to which the network is in danger, there would be widespread panic.

As the largest contractor in the United States, I have no history of crying wolf. Hear me when I tell you that there is not a day that goes by that I do not hear from my fellow contractors that are seeking a financial path out of certain bankruptcy. The contractors need help. We have served as essential workers and have overcome unprecedented challenges to arrive in this moment. And now, in our moment of need, we need FedEx Ground to respond to us.

The prior letters of concern lacked two things that this video and the corresponding letter will seek to fix. First, the letters lacked a specific financial ask. We're going to fix that here in this video and the letter. Secondly, it lacked a specific timeline for resolution. We're also going to provide a timeline in our corresponding communication.

The first ask that contractors have of FedEx Ground relates to the pickup and delivery last mile component. The request is to see a 50 cent per stop increase that will apply across all agreements, and that application will be towards both Ground and e-commerce deliveries.

Second, for line haul, the request is for a 20 cent per mile increase that will affect both solo and team runs. Both of these increases will have a 12-month duration, at which time there will be a reassessment, because the economy could change again. We could be going into the teeth of a recession, we could be just beginning our inflationary journey. That 12 months will allow us a time to reassess and recalibrate the contractual dynamics that we will only know once we arrive in 2023. But what I do know now is that contractors are in enormous financial distress, the likes of which has never been more severe.

One other piece missing from the letters of concern was a clear timeline. The timeline for our negotiations here will extend through November 25th of 2022. The reality is, contractors are running out of the financial resources to be able to continue to operate this network. Contractors do not boast the same 60 billion dollar balance sheet that FedEx Ground has. We

1 know from FedEx Ground's recent earnings release that
2 we've seen FedEx Ground's margins increase by about 30
3 percent in the last quarter, at the same time that Ground
4 contractors saw their margins plumb to new lows.

5 Highlighted in that earnings release was
6 the fact that FedEx Ground had pushed through fuel
7 surcharges to its customers, but had benefitted from the
8 arbitrage of not passing through that same fuel surcharge
9 back to its contractors, the ones actually consuming the
10 fuel.

11 We have to rely upon FedEx Ground
12 recognizing in a timely fashion that additional financial
13 compensation is warranted given 9.1 percent CPI that came
14 out a couple days ago and all of the well-documented cost
15 changes that are accompanied in the letter with this
16 video.

17 In 30 days from this video, more than 50
18 percent of all contractors in the United States will be
19 gathering in Las Vegas. We are taking over the entire
20 Paris Hotel, some 3,300 rooms, and we will be discussing
21 two main things. The first thing is we have
22 groundbreaking announcements to make concerning deals
23 that have been struck with multibillion dollar
24 businesses. These businesses have offered incredible
25 price adjustments for contractors due to our collective

1 purchasing power that is going to allow contractors to
2 acquire goods and services that we use every single day
3 at prices that are unheard of. That's part of what our
4 commitment is to FedEx Ground is that we recognize that
5 we have to tighten our own belts. We have to be smart
6 about our expenses, we have to be smart about our
7 efficiency, and we are making every effort to do our part
8 and then some.

9 The second half of the Expo is going to
10 feature the formation of a committee. Not a union, but a
11 committee. This committee will feature ten contractors
12 that are elected to speak for the broad thousands of
13 contractors that don't have an ability to speak for
14 themselves in a way that FedEx Ground can properly
15 absorb. This committee of ten contractors is going to
16 help outline and continue to reaffirm what most every
17 contractor in the country is experiencing now, that we
18 need financial help.

19 To Raj Subramaniam, please hear me in
20 knowing that you are a new CEO in the position, but very
21 much not new to FedEx Ground. You have an opportunity
22 here for contractors to win over the hearts and minds of
23 some 6,000 small business owners across the United
24 States.

25 The yoke has been quite heavy on us over

1 the last couple years as we have strived as essential
2 workers to overcome all obstacles. Please take this
3 moment where we provide in a business case to show you
4 that our costs have changed dramatically. We need FedEx
5 Ground to meet us in this moment of need, and if you take
6 that step to lighten the burden off of our shoulders here
7 and provide the financial viability of these businesses
8 back to us, you will win a dedicated workforce that will
9 serve you for your entire tenure as CEO. Please take
10 this opportunity to exercise that leadership in a moment
11 of sincerely expressed and validated needs.

12 To my fellow contractors that are
13 watching this video, let me give a message to you too. I
14 recognize that for the thousand of you that have signed
15 prior letters of certain, there were thousands more
16 willing to sign but feared retaliation from FedEx Ground
17 towards your agreement. Let me be the first to say that
18 I don't make this video without some level of fear
19 myself. As the largest contractor in the United States I
20 know that I am putting myself out there in a way that I
21 hope shows my commitment, not only to contractors, but
22 also to FedEx Ground. It is not kind or smart for me to
23 stay silent while I see a enormous threat on the
24 immediate horizon for the FedEx Ground network as a
25 whole.

12 FedEx Ground's network has no future
13 without the financial viability of its contractors.
14 Indeed, FedEx Ground's network is only as healthy as the
15 financial health of its contractors. And hear it from me
16 clearly, someone with more access to data than anyone
17 else outside of FedEx Ground, there has never been a
18 moment of more financial distress than this time here. I
19 have made no habit of crying wolf, and I am not crying
20 wolf here.

21 In conclusion, know that my desired
22 outcome here is not to unionize. It is instead to unify
23 both FedEx Ground back with their contractors. This
24 FedEx model has always been engineered to be a win/win
25 dynamic. And it's natural that sometimes the pendulum is

1 going to swing from one side to the other for who has the
2 upper hand. But hear me when I tell you that pendulum is
3 at an extreme that cannot sustain. Contractors need to
4 see FedEx Ground meet us here with financial relief given
5 the environment that we are in. We will document that to
6 you and stand true to our word and invite that discussion
7 through November 25th of 2022. Please meet us in that
8 way and find a path forward here together.

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1 CERTIFICATE

2 STATE OF MICHIGAN

3 COUNTY OF MACOMB

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5 I, Andrea Filar, C.S.R. and Notary Public
6 in and for the County of Macomb, State of Michigan, do
7 hereby certify that the attached is a true, correct, and
8 complete transcript of my stenographic notes taken at the
9 time and place hereinbefore stated and they were
10 transcribed upon a computer under my direct supervision.
11 The undersigned assumes no responsibility for copies not
12 made under my direction or control. September 19, 2022

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Andrea Filar Scheer

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17 Andrea Filar, CSR - 8349

18 Notary Public, Macomb County

19 My Commission Expires: 10-01-2028

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